

# STATE OF COLORADO

DEPARTMENT OF REGULATORY AGENCIES

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### **Colorado's Insurance Commissioner Orders Emergency Cease and Desist for Phony Health Plans Targeting Colorado Consumers**

DENVER — Insurance Commissioner Marcy Morrison issued an Emergency Cease and Desist Order ("Order") against several related companies illegally offering "health insurance" plans via unsolicited faxes. She cautioned consumers to check company credentials before entering into any agreement for insurance to be sure the company and its services are legitimate.

"These companies prey on people's concerns about health insurance and costs to steal consumers' money without providing the services promised," Commissioner Morrison said. "If an advertisement appears too good to be true, verify the company is legitimate and licensed to sell insurance before you give them any money or bank account information."

The Commissioner issued the Order on May 14, 2008, against two unlicensed companies selling unauthorized "insurance" in Colorado. The companies were marketing "health plans" under several trade names, including the National Alliance of Associations ("NAA"), National Trade Business Alliance Association ("NTBAA"), Professional Benefits Consultants, Inc., and PBC Direct ("PBC"), all based in New Jersey. The primary players in the marketing agreements between the named companies included Thomas J. Sullivan, James Doyle, and Christopher Ashiotes, who held offices ranging from president to vice president to secretary-treasurer for the various companies.

A complete copy of the Order can be found on DORA's Division of Insurance website at [www.dora.state.co.us/Insurance/enforcement/2008/O08120.pdf](http://www.dora.state.co.us/Insurance/enforcement/2008/O08120.pdf).

In August, 2007, the Division began receiving consumer complaints involving marketing and selling of insurance purportedly by NTBAA, NAA and PBC, and opened an investigation. NAA, and the other listed entities, were found to be marketing insurance products or services in Colorado, although they were not licensed to do so. In addition, the alleged "insurance" or health plans sold did not fulfill marketing promises or pay any benefits, although premium payments were collected.

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General Number: (303) 894-7499 / Consumer Complaints: (303) 894-7490 / Toll Free 1-800-930-3745 / FAX: (303) 894-7455  
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As an example, in October, 2007, one Colorado consumer received a faxed advertisement at work offering "Health Insurance – not Discount Health Care" and called the number listed. The consumer was promised a health plan starting at \$199 monthly for an individual, and coverage for preventive health care, comprehensive medical coverage and annual examinations. The consumer purchased a policy for herself and her husband for \$299 monthly and paid an enrollment fee.

The consumer was so confident in the plan benefits, she contacted the insurance agent for her employer, urging consideration of NAA's plan for other employees. The insurance agent reviewed the material, and believing the health insurance to be fraudulent, recommended the consumer cancel the policy. The consumer attempted to cancel the policy, but additional monies were withdrawn from her bank account via automatic transfer. To date, the consumer has not received a refund.

Another Colorado consumer received a facsimile advertisement for "affordable health care plans" and contacted the company identified as "National Healthcare." The customer service representative claimed the health care plans were offered through a major, well-known health insurance company (Aetna), and that the plan offered was "insurance" and not a discount health plan. (It is important to note that Aetna denies any involvement with the companies or individuals named, and no relationship has been discovered. One of the components of the fraudulent health insurance scheme is to create an image of stability by claiming a partnership with an established insurance provider, which may have no knowledge of the discount health plan or health insurance being marketed using the name of the well-known company.)

This consumer purchased a health care plan for her family for \$369 per month after receiving assurances about health care options that would be covered. Her bank account was charged \$494 after an unexplained "enrollment fee" of \$125 was tacked on to the monthly charge.

When the consumer realized the plan was not health insurance, she tried to cancel. To date, the consumer has not received any refunds for the enrollment fee or monthly charge.

Commissioner Morrison's Order details other consumers who were contacted by the NAA or affiliated companies, and who gave bank account information allowing bank account withdrawals after being promised health insurance for low rates. Some of the stories follow similar outlines, where a consumer realized that the "health plan" was not the insurance coverage desired, and cancelled the plan with a loss of a month's premium and enrollment fees. It is suspected that many consumers, having lost less than \$500 in the scheme, may have simply given up trying to get their money returned. However, some consumers suffered more serious consequences, including one family who lost a family member in a hit-and-run accident. Prior to his death, the individual incurred hospital bills of about \$43,000. This individual had purchased a health plan under NTBAA, one of the companies run by Thomas J. Sullivan.

The family of the deceased contacted NTBAA to request payment of the hospital bill. To date, the hospital reports receiving one payment of \$200 but no other payments toward the outstanding medical bills.

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The named companies in the Order conducted business by faxing unsolicited advertisements and promising great health care at low costs. One way to confirm that a company is offering health insurance (and not a discount health plan), is to check the Colorado Division of Insurance website to be sure the company is listed as licensed and registered. Make sure the company's contact information matches the information listed in the advertisement; disreputable individuals have been known to claim they are with a known company when no affiliation exists.

Colorado isn't the only state dealing with fraudulent health insurance sales. Many states, including Arizona, Kentucky, North Carolina and Pennsylvania have recently issued warnings and targeted phony carriers for similar activities. Fraudulent insurance is any insurance plan that is intended to defraud consumers or businesses.

The Insurance Commissioner of Arkansas has also reported the same companies and individuals doing business in that state. State Insurance Commissioner Julie Benafield Bowman cautioned Arkansas insurance consumers about unlicensed companies illegally offering health insurance plans via unsolicited faxes, including NTBAA, Affinity Health Plans of America, National Trade Business Association, National Transportation Benefit Alliance, Qualified Administrative Specialists of America, Family Health Care Services, Inc., America's Best Benefits, and American Employers Association, as well as others.

"Don't give your money to a company unless you are certain they can, and will, provide the services promised," Colorado's Insurance Commissioner Morrison said. "It's illegal for anyone to sell insurance in Colorado unless they are licensed. Check to be sure the company is legitimate before you give them access to your money."

Consumers can verify that insurers are authorized to do business in Colorado by calling the Colorado Division of Insurance at 303-894-7490 or 800-930-3745 (toll-free outside of Denver), or by visiting the DOI website at [www.dora.state.co.us/insurance](http://www.dora.state.co.us/insurance). If you feel you may have been defrauded by a company offering a Discount Health Plan or Discount Medical Card, contact the Division of Insurance for more information.

For more information on avoiding illegal or fraudulent health care plans, see the brochure and web page titled, "Discount Health Plans & Discount Medical Cards."

<http://www.dora.state.co.us/insurance/consumer/DiscountHealthPlans.htm>

*DORA is dedicated to preserving the integrity of the marketplace and is committed to promoting a fair and competitive business environment. Consumer protection is our mission.*

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